

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1720 – SB 1825

March 19, 2014

SUMMARY OF ORIGINAL BILL: Requires the annual review of organizations contracting with the Bureau of TennCare to demonstrate by clear and convincing evidence that the organizations maintain an adequate network of services to children.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (014670): Prohibits any health insurer or managed health insurance issuer participating in the TennCare program from denying any dentist who is board certified in pediatric dentistry and licensed in good standing with the Board of Dentistry the right to participate as a participating provider. Authorizes the health insurance issuer to establish rates and fees that are higher in non-urban areas or in specific instances where a health insurance issuer determines it necessary to contract with a particular provider in order to meet network adequacy standards or patient care needs.

Prohibits the health insurance issuer from preventing any person who is a TennCare enrollee from selecting a dentist, who is certified in pediatric dentistry and in good standing with the Board, to furnish the dental services offered under the TennCare program if the dentist is a participating provider under the same terms and conditions of the contract as those offered any other provider of dental services.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – \$2,161,600

Increase Federal Expenditures - \$4,025,900

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Assumptions for the bill as amended:

- According to the Bureau of TennCare, the rates at which dentists are reimbursed for various services are set by the Bureau.
- Under the current contractual arrangement with the dental benefits manager (DBM), the DBM is under a certain level of risk. Since the DBM does not control the rates that which providers are reimbursed, one of the cost containment methods used by the DBM is through the ability to select and maintain its provider network. This freedom in provider selection was included in the request for proposal and the awarded contract for the DBM.
- TennCare's FY14-15 proposed budget includes a savings of \$8,250,000 as a result of the dental services contract risk component. (\$2,882,137.50 state dollars and \$5,367,862.50 federal dollars).
- The proposed bill as amended would substantially change the landscape of the contract between the DBM and TennCare. According to TennCare, these changes are expected to prevent the DBM from achieving the projected savings and would make it impossible for the state to enforce the provisions of the contract related to penalties for cost overruns.
- Based on information provided by TennCare, approximately 75 percent of the projected savings come from selective network contracting and approximately 25 percent come from claim edits and utilization management activities.
- It is estimated that the provisions of the bill will result in an increase in expenditures of at least \$6,187,500 for not realizing 75 percent of the projected savings (\$8,250,000 x .75). Of this amount, \$2,161,603 is state funds and \$4,025,897 is federal funds at a match rate of 65.065 percent.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue - \$6,125,600

Increase Business Expenditures – Exceeds \$3,062,800


Assumptions for the bill as amended:

- Pediatric dental providers who are not currently in the TennCare DBM network will incur an increase in business from enrollees choosing those providers.
- Pediatric dental providers who are currently in the TennCare DBM network will incur a decrease in business from current enrollees seeking services from other providers.
- It is unknown how many providers will join the network or how many TennCare enrollees will seek to change providers as a result of the bill as amended.
- The majority of the increase in TennCare expenditures is for dental services and a small portion is for administrative costs.
- It is assumed that at least one percent of the total \$6,187,500 or \$61,875 in unrealized savings is for administrative costs.
- The remaining \$6,125,625 will be an increase in dental provider revenue.

- It is assumed dental providers will have a corresponding increase in expenditures for the cost of services they provide equal to at least 50 percent of the increased business revenue resulting in an increase in expenditures of \$3,062,813.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/kml